TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL MEMORANDUM

SB 900 - HB 1218

February 8, 2022

SUMMARY OF BILL AS AMENDED (013233): Enacts the "New Markets Development Act" (Act). Creates a tax credit against taxes on gross premiums as established in Tenn. Code Ann. § 56-4-205 and a credit against the reciprocity tax as established in Tenn. Code Ann. § 56-4-218. Establishes parameters and requirements for receiving such credits. Applicants for these credits must submit a $5,000 application to the Department of Finance and Administration (F&A). Limits the tax credits awarded to a maximum of $8,000,000 in any given year. Establishes F&A's ability to recapture credits, and for examination, certification, and rulemaking. Establishes the qualifications for a qualified entity to receive federal matching under this program. Requires participating entities to file an annual report to F&A.

FISCAL IMPACT OF BILL AS AMENDED:

Increase State Revenue –
$70,000/FY22-23 and Subsequent Years/
Department of Finance and Administration

Decrease State Revenue –
$8,000,000/FY22-23 and Subsequent Years/General Fund

Assumptions for the bill as amended:

- The taxes and reciprocal fines and fees that these credits apply to are collected and administered by the Department of Commerce and Insurance (DCI).
- According to page A-62 of the Governor's Recommended Budget, an estimated $1,152,100,000 will be collected from DCI in FY22-23, and according to DCI over $1,120,000,000 is attributable to the tax established in Tenn. Code Ann. § 56-4-205, which was paid by approximately 1,900 different insurance companies.
- The average tax liability per insurance company per year is estimated to be $589,474 ($1,120,000,000 / 1,900); therefore, an estimated 14 ($8,000,000 / $589,474) companies will have to apply for the total $8,000,000 to be awarded.
- An estimated recurring increase in state revenue to F&A of $70,000 ($5,000 x 14 entities) beginning in FY22-23 and a recurring decrease in state revenue of $8,000,000 to the General Fund.
- It is assumed that the entirety of these credits will be used each year, beginning in FY22-23.

- F&A will work closely with DCI to administer the proposed Act and will not experience significant systems and personnel costs to administer the credits laid out in the proposed legislation.

IMPACT TO COMMERCE OF BILL AS AMENDED:

Decrease Business Expenditures – Net impact –
$7,930,000/FY22-23 and Subsequent Years

Jobs impact – Not Significant

Assumptions for the bill as amended:

- The proposed legislation would decrease business expenditures on taxes by $8,000,000, but would have an increase in expenditures of an estimated $70,000 for applying for the tax credits.
- The net impact to business expenditures is therefore estimated to be a decrease in expenditures of $7,930,000 in FY22-23 and subsequent years.
- Any impact to jobs is considered to be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Krista Lee Carsner

Krista Lee Carsner, Executive Director

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